



# Planning Your Financial Future



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# US Consumer Debt - Statistics 2012

- **Total Consumer Debt = \$ 11.38 Trillion**
  - Down 3% from 2011
  - 9% Delinquent
- **Mortgages = \$ 8.15 trillion**
  - Average Mortgage Debt = \$150K
  - 70% of US Consumer Debt
- **Student Loans = \$914 Billion**
  - Average Student Loan = approximately \$35K
  - Borrowers = 37 Million
- **Credit Card Debt = \$852 Billion**
  - Average Credit Card Debt = approximately \$15K
- **Auto Loans = \$72 Billion**



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# Are you at Risk?

- 49% of workers said that they were either *not too* or *not at all* confident they have enough money to live comfortably through their retirement years.
- 67% (confident/somewhat confident) said they will have enough money to take care of your basic expenses during your retirement
- 64% (confident/somewhat confident) said they are doing/did a good job of preparing financially for retirement.
- 48% (confident/somewhat confident) said they will have enough money to take care of your medical expenses during your retirement
- 44% (confident/somewhat confident) said they will have enough money to pay for long-term care should you need it during your retirement



# Are you at Risk? (con't)

- As of Quarter 1 in 2012, the average student loan balance for all age groups is \$24,301
- Approximately 25% of borrowers owe more than \$28,000
- 10% of borrowers owe more than \$54,000
- 3% owe more than \$100,000
- Less than 1%, or 167,000 people, owe more than \$200,000



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# Objectives

- Understanding your future needs
- How to be a better saver!
- How to build your treasure chest
- Getting rid of debt
- The importance of investing



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# Understanding your future needs

- Cost of living increases over the years as a result of inflation
- Health care costs are increasing (\$250,000 for a couple retiring in 2010)
- Our life expectancy has increased to mid – high 80's



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# What does inflation do to your buying power over time?

Goods & Services valued at \$100 in 1990 cost

- \$116 in 1995
- \$132 in 2000
- \$149 in 2005
- \$166 in 2010



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# Planning is not just for retirement!

- Buying a car
- Buying a home
- Starting a family
- Paying for college

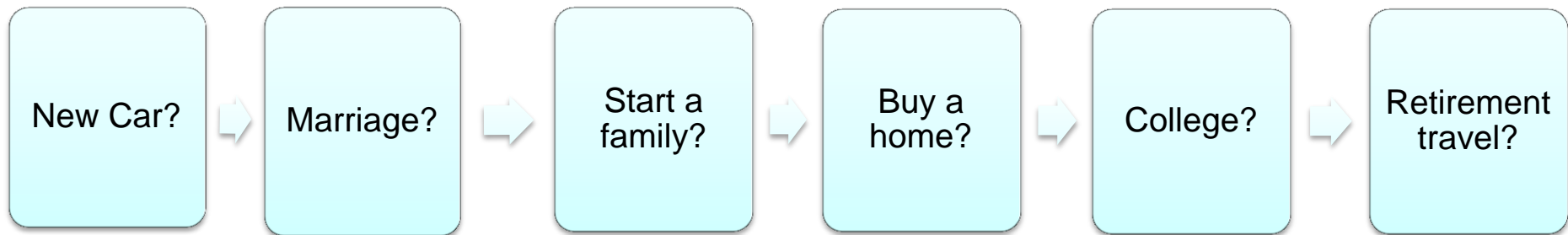


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# What does your timeline look like?



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# How to be a better saver? Create a savings plan!

## Step 1 - Income

- Wages/salary
- Dividend, Interest
- Alimony, etc

*(use pay stubs, investment and banking statements, and tax returns)*



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# How to be a better saver? Create a savings plan!

## Step 2 - Fixed expenses

- Housing
- Transportation
- Utilities
- Taxes
- Insurance
- Food (home)
- Savings



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# How to be a better saver? Create a savings plan!

## Step 3 - Variable/Discretionary Expenses

- Dining out
- Shopping (clothes, etc.)
- Entertainment
- Auto maintenance
- TV, internet, cell phone
- Groomers (you and the pooch!)



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# Your Spending Plan:

Income

-

Fixed Expenses

=

Your funds available for saving/creating an emergency fund/getting out of debt!



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# How to Build Your Treasure Chest

## Your emergency fund

- Know your expenses!
- Consider your individual circumstances
- What are possible scenarios
- Do the math
- Keep it safe!



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# How to Build Your Treasure Chest

## Some Insurance Considerations

- Property/Casualty
- Health
- Disability
- Life
- Long Term Care



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# Getting Rid of Debt!

- Debt can be a roadblock to your future
- Pay down credit card debt
- Re-visit your spending plan



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# Okay, So How Do I Do It?

Revisit your spending plan!

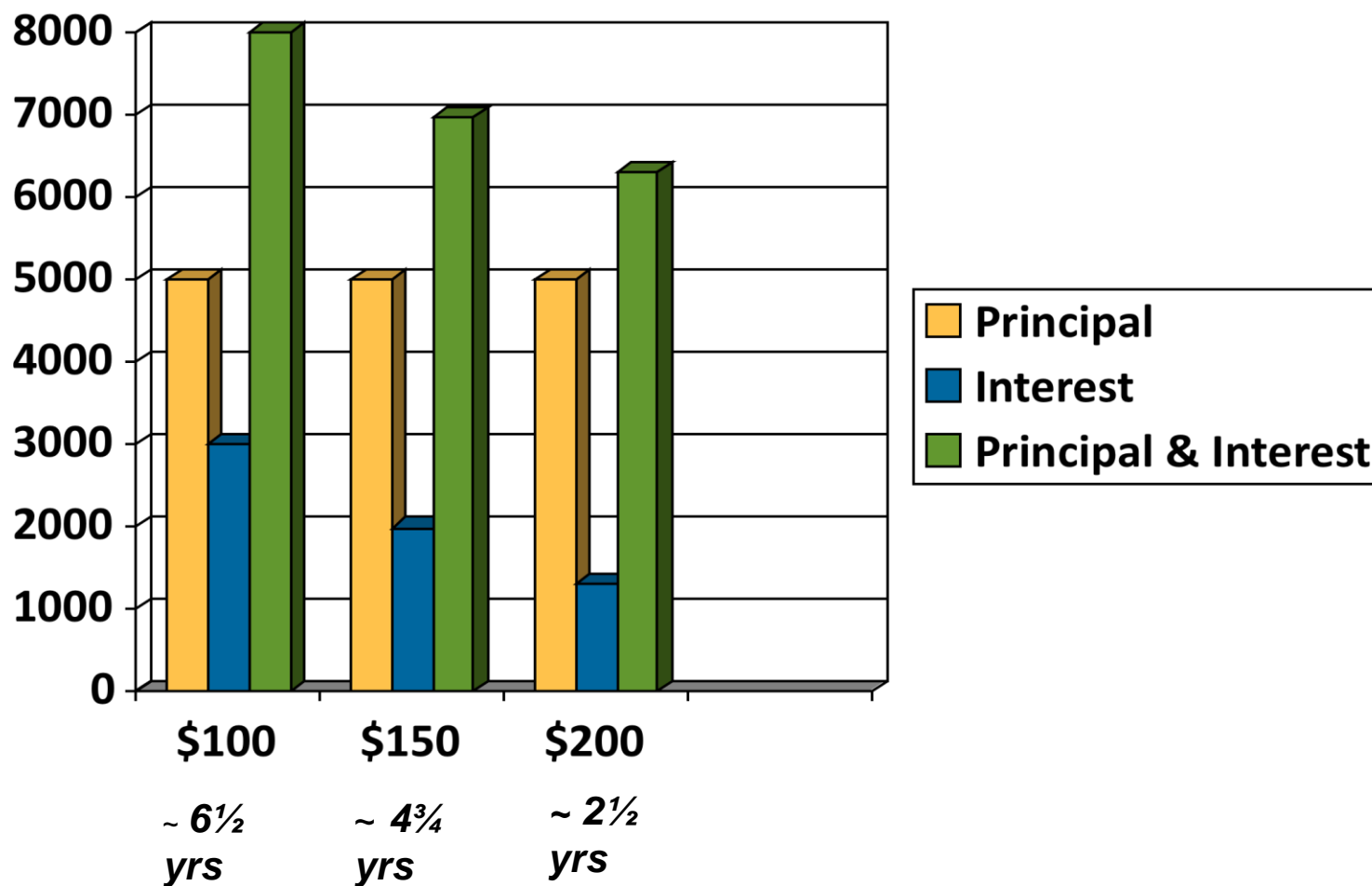
- Identify those sources of excess spending you can reduce
- Re-direct that spending to increase your debt payments
- Leave credit cards at home!



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# Compare the Payoffs



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# Use Momentum to Your Benefit

- List your debts individually (creditor, amount owed, interest rate being charged)
- Prioritize which debts you want to reduce first
- Direct additional payments towards that debt
- When paid off, add that payment to the next on your priority list



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# Debt Elimination (Example)

- You have an ABC Bank credit card with a balance of \$3,000 at 18% with monthly payments of \$100 for ~ 40 months.
- You have an XYZ credit card with a balance of \$2,500 at 15% with payments of \$50 per month for ~ 78 months
- You have a car loan in the amount of \$18,000 at 8% for 60 months with payments of ~ \$365 per month.
- You reduce your monthly expenses by \$100 and add the \$100 to paying down your debt.



# Debt Elimination (Example)

- 1<sup>st</sup> priority was to repay \$3,000 to ABC Bank credit card balance
  - Re-directed additional \$100 month to your current payment of \$100 (\$200 total)
  - ABC credit card balance paid off in 18 months instead of 40 month
  - Save \$588 in interest (\$423 vs. \$1,011)
- Add \$200 to payment of 2<sup>nd</sup> priority to XYZ credit card (had been paying \$50 on \$2,500 balance) for total payment of \$250
  - XYZ Card Balance paid off in 9 months instead of an additional 60 months
  - Save \$771 in interest (\$657 vs. \$1428)
- Now add the \$250 to the \$365 car payment for a total of \$615 pay
  - Car loan off in 19 months instead of an additional 33 months
  - Save \$545 in interest (\$3,355 vs. \$3,900)



# The Importance of Investing

## Equities

- Stocks (ownership interest in publicly traded companies)
- Mutual funds (pooled assets invested in stocks)
- Dividends and/or price appreciation

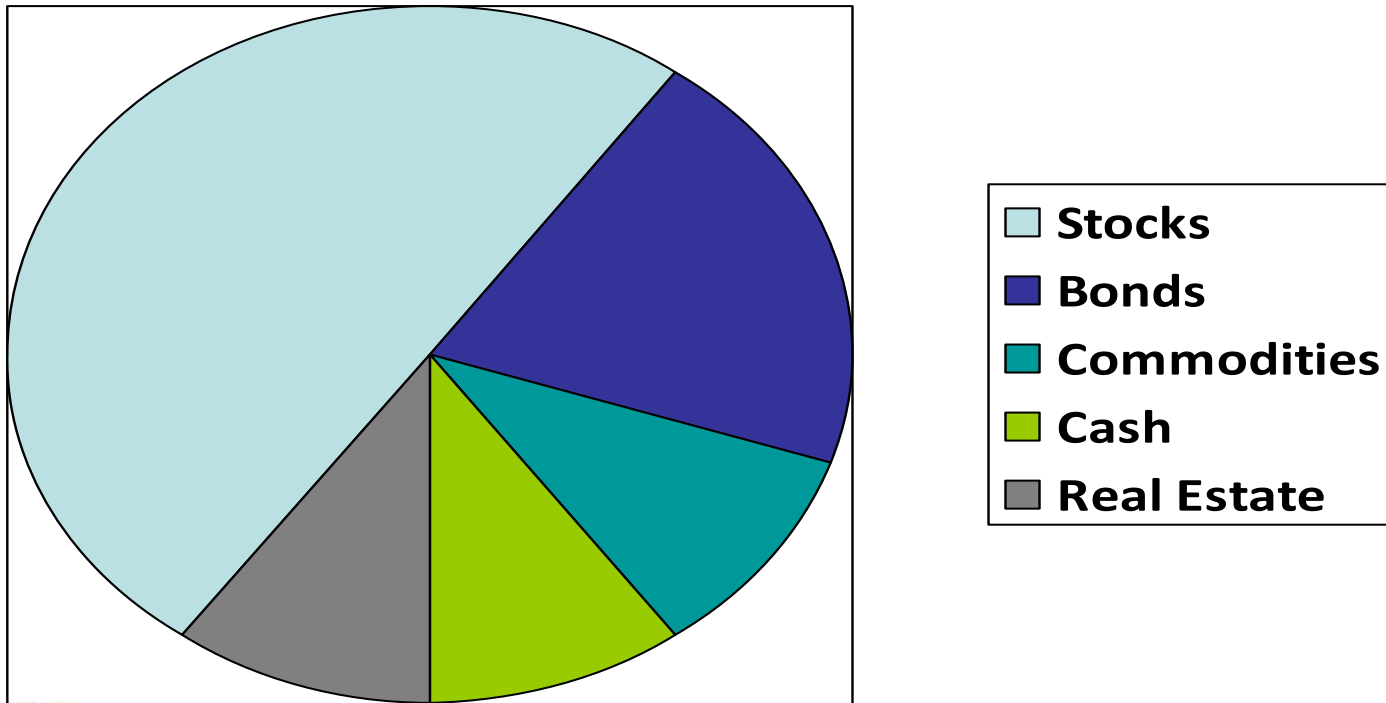
## Fixed Income

- A loan to a business or government (bonds or notes)
- Bank CD
- Interest paid, loan repaid
- Mutual Funds (pooled assets invested in bonds)



# Asset Allocation

Dividing your investments between different asset classes to manage the volatility risk of investing



# Diversification

- Owning a large group of different investments
- “Don’t put all your eggs in one basket”
- Look into having mutual funds
- Doesn’t assure you the best investment class, but also avoid the worse
- Tortoise and hare approach to investing



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# Taxable or Tax Deferred

## Taxable

- Taxable investment accounts
- Pay taxes on dividend distributions
- Pay taxes when investment sold for a profit

## Tax Deferred

- Retirement accounts (401k, IRAs, 403b)
- Taxes paid when distributions made
- Subject to IRS rules other restrictions
- Allows your money to grow pre-tax



# Investing

- Know your time horizon
  - have a long-term approach to investing (10 years or more)
- Short-term goals should be kept in safer investments (CDs, Money Market)
- Avoid unnecessary changes (usually based on emotion!)



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# In Conclusion . . .

- Anticipate your future needs
- Identify personal saving strategies
- Set aside an emergency fund
- Get the debt monkey off your back
- Safe for the short-term, invest for the long-term



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# WorkLife4You Resources

WorkLife4You web site

[www.WorkLife4You.com](http://www.WorkLife4You.com)

- **Finance Web Service**
  - Personal Finance Library
  - Investing Library
  - Credit & Debt Library
- **Audio Tips and Podcasts**  
Budgeting Basics, Retirement & Estate Planning
- **Interactive Calculators**  
Investment Yield, Start Savings Amount, Savings Amount, Savings Rate, Spending Rate, Major Purchase Savings, Credit Card Repayment, Portfolio Yield, Saving a Million Dollars, Future Value
- **On Demand Webinars**  
Planning Your Financial Future, Basics of Investment, Overcoming Debt, Buying Your First Home
- **WorkLife4You Guides**  
Choosing a Financial Professional, Investment Basics and Vehicles, Personal Budgeting Worksheet, Building a Better Credit Report, Choosing and Using Credit Cards
- **HTML Articles**
- **Related Web Sites**



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# Let WorkLife4You Make Your Life a Little Easier!

**Contact WorkLife4You 24/7:**

**1-877-WL4-NOAA (1-877-954-6622)**  
(TTY 800-873-1322)

**<http://www.worklife4you.com>**

— Look for the Member Login box  
— Not a registered member yet? Follow  
the “**Start Now**” link and enter  
Registration Code: **noaa**





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